

Message Text

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17

ACTION AF-18

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 IO-14

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 EB-11 COME-00

INT-08 TRSE-00 OMB-01 SCI-06 SCEM-02 CEA-02 CIEP-02

AID-20 STR-08 DRC-01 /233 W
----- 007772

R 021622Z JAN 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 2275

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

OECD PARIS 380

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E.O. 11652: N/A

TAGS: ENRG, NI

SUBJECT: NIGERIAN GOVERNMENT INCREASES OIL PRICE 76 PERCENT.

BEGIN UNCLASSIFIED

1. SUMMARY

NIGERIAN GOVERNMENT ANNOUNCED NEW YEARS EVE A NEW POSTED PRICE
OF \$14.69 PER BARREL FOR FIRST QUARTER 1974. DECISION TAKEN

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WITHOUT CONSULTATION WITH PRODUCING OIL COMPANIES WHICH IN PAST

HAVE ALWAYS NEGOTIATED NEW POSTINGS WITH THE GOVERNMENT. WHEREAS LIBYA AND INDONESIA MADE SIMULTANEOUS ANNOUNCEMENTS AND ALL POST-TEHRAN INCREASES NEARLY IDENTICAL, OPEC MEMBERS HAVE SHOWN UNPRECEDENTED DEGREE OF COORDINATION.

END SUMMARY.

2. FEDERAL COMMISSIONER FOR MINES AND POWER MONGUNO ANNOUNCED LATE DECEMBER 6 NEW POSTED PRICE FOR 34 PERCENT API CRUDE OIL DURING FIRST QUARTER 1974 OF DOLLARS 14.69 RPT 14.69 PER BARREL. (PRICE GIVEN TO NEAREST CENT, NOT TENTH OF CENT AS IN PAST.) PRODUCING OIL COMPANIES HAD BEEN ASKED THAT MORNING TO SUBMIT CALCULATIONS FOR NEW POSTING (WHICH THEY DID WITHOUT TAKING TEHRAN INCREASES INTO ACCOUNT) AND EXPECTED TO BE INVITED NEXT WEEK TO NEGOTIATE. ANNOUNCEMENT CAUGHT THEM AS MUCH BY SURPRISE AS EVERYONE ELSE.

3. BASIS OF NEW POSTING AND ITS COMPONENTS (BASE POSTING PLUS SULFUR AND FRIEGHT PREMIUMS) NOT YET KNOWN. EMBASSY NOTES, HOWEVER, THAT OVERALL NIGERIAN INCREASE IS VERY SIMILAR TO INCREASES OF OTHER OPEC MEMBERS, INCLUDING LIBYAN AND INDONESIAN WHICH WERE ANNOUNCED ON SAME DAY. IN FOLLOWING TABLE, COLUMN (1) IS OLD POSTED PRICE; (2) POSTED PRICE AS OF JANUARY 1; (3) INCREASE IN POSTED PRICE, AND (4) INCREASE IN GOVERNMENT TAKE (AT STANDARD 55 PERCENT TAX AND 12.5 PERCENT ROYALTY):

	(1)	(2)	(3)	(4)
PERSIAN				
GULF(ARAB LIGHT)		5.036	11.651	6.615 4.010
LIBYAN		9.061	15.76	6.699 4.061
NIGERIAN		8.339	14.69	6.351 3.850
INDONESIAN(SUMATRA LIGHT)		6.00	10.00?	NA 4.00?
VENEZUELAN(AVERAGE)		7.74	14.09	6.35 ?

4. NEW POSTING YIELDS TOTAL GOVERNMENT TAKE OF ABOUT \$8.64 RPT LIMITED OFFICIAL USE

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\$8.64 PER BARREL, WHICH IS ONLY 23.4 PERCENT ABOVE \$7.00 FOR ARAB LIGHT VS. ABOUT 57 PERCENT DIFFERENTIAL WHICH FMG RECEIVED IN DECEMBER. EMBASSY ESTIMATES TOTAL FMG OIL ROYALTY AND TAX REVENUE IN 1974 WILL BE \$7.5 RPT \$7.5 BILLION AT NEW RATE (ASSUMING EXPORTS INCREASE ONE PERCENT PER MONTH) VS. REVENUE OF APPROXIMATELY \$2 BILLION IN 1973.

END UNCLASSIFIED

BEGIN LOU

5. HARBINGER OF FMG DECISION NOT TO NEGOTIATE NEW POSTED PRICE CAME IN DECEMBER WHEN GOVERNMENT AND COMPANIES DISAGREED OVER DECEMBER 1 CURRENCY ADJUSTMENTS. COMPANIES CALCULATED \$.233 REDUCTION TO POSTED PRICE OF \$8.171, BUT FMG IMPOSED \$8.339 BASED ON OTHER METHOD OF CALCULATION. COMPANIES WERE PLANNING NEGOTIATE THIS DIFFERENCE DURING MEETINGS THEY THOUGHT WOULD

PRECEDE ANNOUNCEMENT OF NEW POSTING FOR JANUARY 1.

6. FMG DELAYED 1974 OIL EXPORT LICENSES UNTIL LAST MINUTE (LAGOS 10308). OIL FLOW UNINTERRUPTED, BUT COMPANIES WILL NOW HAVE TO REPORT REALIZED PRICE OF EACH CARGO.

7. COMMENT. SIMULTANEOUS ANNOUNCEMENT OF NEW PRICES IN NIGERIA, LIBYA AND INDONESIA AND SIMILARITY OF THEIR INCREASES (PLUS THAT OF VENEZUELA) SUGGESTS UNPRECEDENTED COORDINATION AMONG NON-PERSIAN GULF MEMBERS OF OPEC. THEY APPARENTLY AGREED AMONG SELVES TO ANNOUNCE NEW POSTINGS BEFORE END OF YEAR BASED ON SAME ARITHMETIC INCREASE ALREADY ANNOUNCED BY PERSIAN GULF STATES. POSTED PRICES THEREBY INCREASED ONLY 67-82 PERCENT (76.16 PERCENT IN THE CASE OF NIGERIA) INSTEAD OF MUCH LARGER AMOUNT IF THEY HAD BEEN BASED ON SAME PERCENTAGE INCREASE. (POSTING FOR ARAB LIGHT INCREASED 131.35 PERCENT). ONE WONDERS IF THIS SHOWS SOME SENSITIVITY TO CRITICISM THE NEW PRICES*ARE RECEIVING THROUGHOUT THE WORLD AND IF NON-GULF STATES SOUGHT LEAST

INCREASE CONSISTENT WITH GULF INCREASES. WHETHER TO LIVE UP TO AGREEMENT WITH OTHER OPEC COUNTRIES OR FOR OTHER REASON, NIGERIA HAS CHOSEN BREAK RECORD OF SETTING PRICES IN STRICT COOPERATION WITH PRODUCING COMPANIES.

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